

Message Text

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PAGE 01 ROME 03526 01 OF 02 141345Z

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ACTION AF-18

INFO OCT-01 EUR-25 EA-11 ISO-00 AID-20 IGA-02 OMB-01

TRSE-00 AGR-20 CIEP-02 EB-11 XMB-07 COME-00 STR-08

CEA-02 USIE-00 DRC-01 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03

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FM AMEMBASSY ROME

TO AMEMBASSY ACCRA IMMEDIATE

SECSTATE WASHDC PRIORITY 3715

INFO AMEMBASSY LONDON

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E.O. 11652: N/A

TAGS: EFIN, EAID, PFOR, IBRD, GH

SUBJ: GHANA DEBT; SECOND REOUND NEGOTIATIONS: SETTLEMENT

REF: LONDON 02859

1. SUMMARY: AGREED MINUTE INCORPORATING DEBT RE-
SCHEDULING TERMS SIGNED MARCH 13. GHANAIS CHOSE
RESCHEDULE FEBRUARY 1-JUNE 30, 1972 PAYMENTS IN LIEU
OBTAINING TWO PERCENT INTEREST RATE ON WHICH THEY
INSISTED EARLIER. U.S. EXEMPTED FROM RESCHEDULING
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PAGE 02 ROME 03526 01 OF 02 141345Z

ON DE MINIMIS BASIS. ACCORD CONTINGENT FOR IMPL-

MENTATION ON CREDITORS SATISFACTION WITH OUTCOME
ONGOING CONTRACT REVIEW DUE TO BE COMPLETED JUNE 30, 1974.
USDEL RECOMMENDS INITIATION LOAN AGREEMENT NEGOTIATIONS,
WITH UNDERSTANDING LOAN NOT TO BE SIGNED UNTIL IT IS
CLEAR RESCHEDULING ACCORD WILL BE IMPLEMENTED. IBRD
TO MAKE TWO MORE LOANS, EXHAUSTING IDA FUNDS AVAILABLE
FOR LENDING TO GHANA THIS FISCAL YEAR. END SUMMARY.

2. FOLLOWING TWO DAYS INTENSE NEGOTIATION, CHAIRMAN
LE QUESNE FOR CREDITORS AND BRIGADIER ASHLEY-LASSEN FOR
GOG SIGNED MARCH 13 TEXT OF AGREED MINUTE PLEDGING
EACH SIDE TO RECOMMEND TO RESPECTIVE GOVERNMENTS THAT
NEGOTIATION BILATERAL RESCHEDULING ARRANGEMENTS BEGIN
AS SOON AS POSSIBLE AFTER AUGUST 31, 1974. CREDITORS
COMMITMENT CONTINGENT ON SATISFACTION WITH OUTCOME OF
GG'S ONGOING CONTRACT REVIEW, WHICHGOG TO COMPLETE
BY JUNE 30, 1974. AFTER AGREEMENT REACHED ON ALMOST
ALL OTHER ISSUES, GHANAIS WERE GIVEN AS CREDITORS
FINAL POSITION THE CHOICE BETWEEN 2 PERCENT INTEREST
RATE AND RESCHEDULING OF PAYMENTS DUE BETWEEN
FEBRUARY 1, 1972 AND JUNE 30, 1972. THEY OPTED FOR
LATTER. AS THIS OPTION LESS BENEFICIAL FINANCIALLY,
GHANAIS ASKED CREDITORS ALSO TO RESCHEDULE ON
INTEREST FREE BASIS OVER FOUR YEARS INTEREST PAYMENTS
DUE BETWEEN JULY 1, 1972 AND JUNE 30, 1974. CREDITORS
AGREED INSTEAD TO RESCHEDULE THESE PAYMENTS OVER TWO
YEARS, WITH FIRST OF FIVE SEMI-ANNUAL INSTALLMENTS
NOW DUE DECEMBER 30, 1974.

3. PAYMENTS DUE BETWEEN FEBRUARY 1, 1972, AND JUNE
30, 1972, TO BE CONSOLIDATED WITH PAYMENTS DUE AFTER
JUNE 30, 1972, UNDER BOTH PREVIOUS RESCHEDULING
AGREEMENTS AND ORIGINAL CONTRACTS (IN THOSE FEW CASES
WHERE ORIGINAL CONTRACTS PROVIDED FOR PAYMENTS AFTER
JUNE 30, 1972). WHEN THESE SUMS ARE CONSOLIDATED,
INTEREST DUE FOR FEBRUARY 1, 1972 - JUNE 30, 1972
PAYMENTS WILL BE CALCULATED AT 2.5 PERCENT IN LIEU
RATES SPECIFIED IN PREVIOUS RESCHEDULING AGREEMENTS.
REPAYMENT OF PRINCIPAL ON THIS CONSOLIDATED AMOUNT IS
TO BEGIN JANUARY 1, 1983 (THUS PROVIDING 10-YEAR
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PAGE 03 ROME 03526 01 OF 02 141345Z

GRACE PERIOD FROM JUNE 30, 1972) AND BE ACCOMPLISHED
IN THIRTY-SIX SEMI-ANNUAL INSTALLMENTS. WITH EXCEPTION
OF RESCHEDULING WITHIN THE RESCHEDULING DESCRIBED
PARA TWO, INTEREST PAYMENTS WILL BE REPAYABLE SEMI-
ANNUALLY DURING THE GRACE PERIOD. GOG IS OBLIGED TO
QUOTE TRANSFER FORTHWITH UNQUOTE PAYMENT OF ARREARS
WHICH WERE OUTSTANDING AS OF JANUARY 31, 1972 (THESE
BEING SUMS DUE THOSE GOVERNMENTS WHICH WITH GOG HAD

NOT CONCLUDED BILATERAL REPAYMENT ARRANGEMENTS IN ACCORDANCE WITH RESCHEDULING AGREEMENTS OF 1966, 1968, AND 1970).

4. US EXEMPTION FROM RESCHEDULING IS GUARANTEED BY INCLUSION OF 1.5 MILLION DOLLAR DE MINIMIS LEVEL. AT INSISTENCE OF US DELEGATION, DE MINIMIS CREDITORS EXEMPT FROM SUBSTITUTION OF 2.5 PERCENT INTEREST RATE ON FEBRUARY 1, 1972-JUNE 30, 1972 PAYMENTS. GHANAIS MADE NO FURTHER ATTEMPT INCLUDE POST-NKRUMAH MEDIUM TERM DEBTS IN RESCHEDULING. SEVERAL GHANAIAN DELEGATION MEMBERS SAID GOG MAY WISH NEGOTIATE AN ACCELERATED REPAYMENT OR LUMP SUM PAYMENT ARRANGEMENT WITH EXIM. US DELEGATION MADE NO COMMITMENTS TO ACCEPT REPAYMENT ON TERMS OTHER THAN THOSE SPECIFIED IN EXISTING BILATERAL AGREEMENTS BETWEEN GOG AND EXIM. BELGIAN REPRESENTATIVE NOT SURE IF MONEY DUE HIS GOVERNMENT INCREASED TO MORE THAN 1.5 MILLION DOLLARS BY ADDITION OF FEBRUARY 1 - JUNE 30 1972 APYMENTS TO AMOUNT BEING RESCHEDULED.

5. WHEN AGAMA REQUESTED ADDITIONAL TIME FOR CONTRACT REVIEW, AMBASSADOR SMITH INFORMED GOG DELEGATION THAT PROLOGATION COULD JEOPARDIZE 19 MILLION DOLLARS PRESENTLY RESERVED FOR LENDING BY USG TO GHANA, AS WELL AS PROSPECTS FOR ADDITIONAL AMERICAN CAPITAL ASSISTANCE. GHANAIS REPLIED THEY HOPED USG WOULD RESUME LENDING FOLLOWING SIGNING OF AGREED MINUTE. SMITH RESPONDED THAT BECAUSE RESCHEDULING ARRANGEMENTS CONTINGENT FOR IMPLEMENTATION ON OUTCOME CONTRACT REVIEW, IT PROBABLY WOULD BE POSSIBLE DO NO MORE THAN INITIATE LOAN NEGOTIATIONS BEFORE CONTRACT REVIEW COMPLETED. FORDWOR AND SEVERAL OTHER GHANAIS LIMITED OFFICIAL USE

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PAGE 04 ROME 03526 01 OF 02 141345Z

SAID THEY WOULD TRY EXPEDITE CONTRACT REVIEW, WHICH AGREED MINUTE OBLIGES THEM TO COMPLETE BY JUNE 30, 1974. GHANAIS ALSO INDICATED THEY WOULD TRY PROVIDE USG WITH PERIODIC STATUS REPORTS ON CONTRACT REVIEW.

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PAGE 01 ROME 03526 02 OF 02 141343Z

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INFO AMEMBASSY LONDON

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LIMITED OFFICIAL USE SECTION 2 OF 2 ROME 3526

6. AGREED MINUTE SPECIFIES CREDITORS MUST PROVIDE
GOG BY MARCH 31, 1974, WITH LISTS OF CONTRACTS TO BE
COVERED BY RESCHEDULING. TO EXTENT THEY ARE ABLE,
CREDITORS ALSO REQUIRED PROVIDE GOG WITH DOCUMENTARY EVIDENCE
OF CONTRACTS OR NEGOTIABLE INSTRUMENTS. GOG DELEGATES INDICATED
GOG MAY DECLARE INVALID AT END OF CONTRACT REVIEW ANY CONTRACTS
FOR WHICH IT MAINTAINS CREDITORS HAVE PROVIDED
INSUFFICIENT DOCUMENTATION. AGAMA SAID GERMANS, JAPANESE AND
NORWEGIANS HAD PROVIDED NEITHER LISTS NOR DOCUMENTS, WHILE
FRENCH HAD FURNISHED LIST BUT NO DOCUMENTS. QUESTIONED PRI-
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PAGE 02 ROME 03526 02 OF 02 141343Z

VATELY ABOUT US CONTRACT DOCUMENTATION, AGAMA SAID LIST RECEIVED,
BUT HE WOULD MAKE NO COMMITMENT REGARDING ADEQUACY
OF DOCUMENTATION, WHICH HE APPARENTLY HAD NOT SEEN.

7. GHANAIS COMMITTED TO HONORING VALIDITY OF CONTRACTS NOT CHALLENGED BY JUNE 30, 1974, ALTHOUGH THEY SUBSEQUENTLY CAN CHALLENGE CONTRACT ON BASIS NON-PERFORMANCE. DISPUTES REGARDING ALL CONTRACTS CHALLENGED AS INVALID TO BE RESOLVED BY PROCEDURES SPECIFIED IN CONTRACTS THEMSELVES OR BY WHATEVER OTHER MEANS PARTIES TO DISPUTES CHOOSE. PAYMENTS FOR WHICH GOG DEEMED LIABLE TO BE MADE ON SAME TERMS AS RESCHEDULED DEBT. USDEL INFORMED IN LONDON THAT DISCUSSIONS CONTINUE BETWEEN MASON AND ASANTE ON BRITISH CONTRACTS REPUDIATED FEBRUARY 5, 1972, WITH BRITISH HOPING OBTAIN FULL PAYMENT OF THE GOG-UK CONTRACT INVOLVED IN RETURN FOR WILLINGNESS ACCEPT PENCE FOR POUND DEAL ON SOME OF OTHER CONTRACTS REPUDIATED AT SAME TIME.

8. GOG DELEGATES DROPPED BOTH THEIR INSISTENCE ON A REVERSE MOST FAVORED NATION CLAUSE (MFN) AND THEIR OBJECTIONS TO THE MFN CLAUSE DEMANDED BY THE CREDITORS, WHEN CREDITORS INSISTED A REVERSE MFN CLAUSE WAS TOTALLY UNACCEPTABLE AND A NORMAL MFN CLAUSE WAS ESSENTIAL FOR SETTLEMENT. CREDITORS AND GHANAIS AGREED DELETE PREAMBLE TO AVOID DISPUTE ON LANGUAGE WHICH APPEARED INEVITABLE.

9. CREDITORS AGREED DELETE PROPOSED GOG ASSURANCES REGARDING PARTICIPATION FROM TEXT AGREED MINUTE IN RETURN FOR SIDE LETTER FROM ASHLEY-LASSEN STATING GOG QUOTE CONFIDENT A SOLUTION FAIR TO THE PARTIES CONCERNED WILL BE FOUND UNQUOTE. LETTER ALSO EXPRESSES GOG'S INTENTION EXPEDITE NEGOTIATIONS AND ANNOUNCES GOG HAS PAID 2.8 MILLION CEDIS AS FIRST INSTALLMENT ON COMPENSATION DUE SOME FIRMS. BRITISH INFORMED USDEL ONLY UK FIRM WHICH NOTIFIED OF SUCH PAYMENT INTENDS INSIST ACCEPTANCE DOES NOT CONSTITUTE AGREEMENT TO UNACCEPTABLY LOW COMPENSATION BASE FIGURE, AND OTHER UK COMPANIES EXPECTED FOLLOW SUIT.

10. SAME ASHLEY-LASSEN LETTER STATES BANK OF GHANA HAS PAID 57.3 MILLION CEDIS IN SHORT TERM ARREARS, THEREBY CLEARING ALL BILLS NOT EXCEEDING 10,000 CEDIS. LETTER PLEDGES BOG TO PAY BALANCE IN NON-DISCRIMINATORY MANNER ON A CHRONOLOGICAL BASIS ACCORDING TO DUE DATE OF PAYMENT.
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PAGE 03 ROME 03526 02 OF 02 141343Z

11. CHAUFOURNIER OF IBRD INFORMED USDEL AT END OF MEETING IBRD NOW WILL PROCEED WITH BOTH LIVESTOCK AND WATER PROJECTS, WHICH HAVE TOTAL VALUE APPROXIMATELY 10 MILLION DOLLARS.

12. COMMENTS: GHANAIAN DELEGATION MEMBERS ASHLEY-LASSEN, NIKOI, ASANTE, GYASIGTWUM, FORDWOR, AGAMA, BOTCHWAY, ASHIANGBOR, REINDORF, UNIDENTIFIED MINISTRY OF ECONOMICS OFFICIAL AND SEVERAL OFFICERS GHANAIAN EMBASSY IN ROME, INCLUDING AMBASSADOR. ASHLEY-LASSEN REQUESTED PARTICIPATION IN KEY DISCUSSION OF INTEREST RATE AND RESCHEDULING OF FEBRUARY 1 - JUNE 30, 1972 PAYMENTS BE LIMITED TO

DELEGATION CHIEFS. IN RETURN, HE EXCLUDED AGAMA AND BOTCHWAY, WHICH MAY HAVE BEEN HIS BASIC INTENTION, AS THEY APPEARED BE LEADING HARD-LINERS. ASANTE, FORDWOR AND ASHIAGBOR WERE GOG SPOKESMEN DURING MOST TECHNICAL DISCUSSIONS. WITH EXCEPTION OF AGAMA, MOST MEMBERS GHANAIAAN DELEGATION EXPRESSED REASONABLE SATISFACTION WITH OUTCOME OF NEGOTIATIONS. GHANAIAAN CHOICE OF RESCHEDULING OF FEBRUARY 1-JUNE 30, 1972 PAYMENTS RATHER THAN LOWER INTEREST RATE EVIDENTLY POLITICAL DECISION DESIGNED ACHIEVE GREATER CONFORMITY BETWEEN SETTLEMENT AND ACHEAMPONG STATEMENT OF FEBRUARY 5, 1972. RE-SCHEDULING OF INITIAL INTEREST PAYMENTS EXPECTED BE WELL-RECEIVED IN ACCRA, AS IT LIMITS PAYMENTS TO WHICH GOG LIABLE IMMEDIATELY TO ARREARS OUTSTANDING ON JANUARY 30, 1972, AND CREDITORS CONCERNED REALLY DO NOT EXPECT RECEIVE THESE SUMS UNTIL BILATERALS NEGOTIATED.

13. AFTER TWO YEARS AND ONE MONTH OF CREDITOR AND CREDITOR-GOG NEGOTIATIONS, FINALE OF MEETING WAS ALMOST ANTI-CLIMACTIC. IT WAS NEVERTHELESS GRATIFYING TO US DEL THAT SETTLEMENT FINALLY ACHIEVED WHICH EXCLUDED US FROM RESCHEDULING, GAVE ADEQUATE SETTLEMENT TO GHANAIAANS AND SATISFIED CREDITOR SOLIDARITY. FROM ALL CORRIDORS INDICATIONS GHANAIAANS UNLIKELY INVALIDATE ADDITIONAL CONTRACTS TO DEGREE WHICH WOULD VITIATE THIS AGREEMENT.

14. IN VIEW SIGNING AGREED MINUTE, US DEL RECOMMEND THAT AID BEGIN NEGOTIATIONS TOWARDS 19 MILLION DOLLAR LOAN, WITH UNDERSTANDING IT CANNOT BE SIGNED UNTIL CONTRACT REVIEW HAS MOVED FAR ENOUGH TO DEMONSTRATE RESCHEDULING AGREEMENT WILL BE IMPLEMENTED. VOLPE

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Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
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